Chapter 8 - Expenditure Cycle

INTRODUCTION

Accounting for expenditures is a critical activity in any governmental organization. The importance of accurately classifying and reporting costs can be demonstrated by the common demands of the government's citizens and external organizations to account for the purposes and types of expenditures. Furthermore, the budgetary emphasis in governmental accounting requires that full encumbrance accounting and, in some cases, pre-encumbrance accounting be performed. Finally, to satisfy the obligations to the people and businesses who provide goods and services to agencies, accurate and timely payments are required. These activities form the foundation of the expenditure cycle.

This chapter includes an overview of the expenditure cycle and then describes each accounting event in more detail in subsequent sections.

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8.1 EXPENDITURE CYCLE OVERVIEW

The following paragraphs provide an overview of the steps involved in classifying, recording and reporting expenditures:

Expenditure Profile Maintenance

The first step in accounting for expenditures is recording or updating profile entries to define the valid data elements used to classify expenditures. The profiles which may need to be updated include:

- **Descriptive Profiles**— includes most of the classification elements in R★STARS. Those that can be related to the expenditure cycle are listed below along with their profile maintenance screen:

  — Agency (D02)
  — Organization Code (D03)
  — Program Code (D04)
  — Function Code (D52)
  — Comptroller Object (D10)
  — Agency Object (D11)

- **Index Code Profile (24)** — infers the organization structure when entering an Index Code on financial transactions. This profile also includes other data elements which may be looked up to reduce coding on transactions. These elements include:

  — Appropriation Number
  — Fund
  — Program Cost Account
  — Grant Number/Phase
  — Project Number/Phase
  — Agency Codes 1, 2 and 3
  — Multi-purpose Code

- **Program Cost Account (PCA) Profile (26)** — looks up the program structure and function structure and may also be used to look up other elements to reduce coding, including:

  — Appropriation Number
  — Fund
  — Index

- Grant Number/Phase
- Project Number/Phase
- Recurring Transaction Index (RTI)
- Agency Codes 1, 2 and 3
- Multi-purpose Code

- **Project Control Profile (27)** — defines the valid project phase and expendable and billable budgets for each agency.

- **Grant Control Profile (29)** — defines the valid grant phases and expendable and billable budgets for each agency.

- **Grant Object Profile (D48)** — defines a grouping of Comptroller or agency objects for grants.

All of the elements which are used to classify expenditures must first be defined in one or more of these system profiles. The R★STARS Data Entry Guide chapters covering Profile Maintenance contains input coding instructions for these profiles.

Financial Data Entry

After profile maintenance has been completed, expenditure cycle transactions can be entered into R★STARS. These transactions may enter R★STARS through a key data entry operation or through a subsystem interface directly into the R★STARS on-line system. The various types of transactions which enter R★STARS are referred to as accounting events. The capabilities associated with each of the accounting events in the expenditure cycle are briefly described below:

- Pre-Encumbrances — tracking pre-encumbrances as memorandum against appropriation balances or reductions to agency budget balances as defined by the pre-encumbrance indicator in the 25 Agency Control Profile.

- Encumbrances — liquidating pre-encumbrances when referenced on encumbrance transactions and tracking encumbrances against appropriation and agency budget balances.

- Vouchers and Accounts Payable — maintaining detail of outstanding accounts and vouchers payable and allowing the scheduling of payments for vouchers payable on scheduled payment dates.

- Expenditures — classifying expenditures against many elements, including organization, fund, program, function, grant, project and object.

- Disbursements — automatically generating warrants or direct deposits for scheduled vouchers payable transactions and tracking manual warrant transactions.

In addition to these accounting events, R★STARS provides the ability to monitor and control expenditures and disbursements against available cash and budgetary balances.

Each topic is discussed in more detail in later sections of this chapter.

8.2 PRE-ENCUMBRANCES AND ENCUMBRANCES

Pre-encumbrance and encumbrance accounting enables agencies to track planned and actual expenditures against available budgetary balances.

The recording of pre-encumbrances is the first step in the expenditure cycle. Pre-encumbrances are typically recorded when there is an expected or projected commitment to purchase or pay for goods and services. They are recorded as memo amounts against appropriation budgetary balances for reporting purposes only. Pre-encumbrances do not reduce available appropriation spending authority.

Recording encumbrances is the next step in the expenditure cycle. Full encumbrance accounting is required for budgeted funds in governmental accounting. Encumbrances are recorded when purchase orders or contracts are signed and, as such, represent legal obligations to purchase goods or services.

Entering and recording the impact of pre-encumbrances and encumbrances is described below.

Entering Pre-Encumbrances

Pre-encumbrances may be recorded against any combination of elements in the classification structure. However, some or all the following elements may be required:

- Agency.
- Index (may be looked up by PCA **but in Michigan PCA will not look up Index**).
- PCA (may be looked up by Index).
- Appropriation Number (may be looked up by Index or PCA).
- Fund (may be looked up by Index or PCA).
- Comptroller Object.

A document number is also required to uniquely identify the requisition in the Document Financial table. The first two digits of each pre-encumbrance document number are defined in the 33 Document Control Profile. This document number may subsequently be referenced when the encumbrance is recorded. See the section “Entering Encumbrances” for more information.

Pre-encumbrance transactions entering R★STARS are not controlled against appropriation balances, however, they can be controlled against the agency budget as defined in the 25 Agency Control Profile by the pre-encumbrance indicator.

Entering Encumbrances

Encumbrances may be classified against any of the expenditure related data elements, including such elements as grant or project. However, some or all of the following elements may be required:

- Agency
- Index (may be looked up by PCA **but in Michigan PCA will not look up Index**).
- PCA (may be looked up by Index).
- Appropriation Number (may be looked up by Index or PCA).
- Fund (may be looked up by Index or PCA).
- Comptroller object.
- Vendor number/mail code or vendor name.

A document number is also required to identify the purchase order or contract in the Document Financial table. The first two digits of each encumbrance document number are defined in the 33 Document Control Profile. A payment tolerance limit **(not used in Michigan)** is also defined in the 33 Document Control Profile and accessed when voucher payable transactions are entered which reference encumbrances. This is discussed in more detail in Section 8-3.

When an encumbrance is entered which was previously pre-encumbered, a Reference Document number is also required to reference the pre-encumbrance. The elements on the encumbrance transaction may vary from the pre-encumbrance transaction as defined in the 25 Agency Control Profile by the pre-encumbrance document match level indicator as follows:

- **0** — no match of encumbrance input coding elements to elements on the pre-encumbrance required.
- **1** — encumbrance must match the original appropriation only.
- **2** — all encumbrance input coding elements must match elements on the pre-encumbrance.

For example, if the encumbrance indicator value equals “1,” the index on the pre-encumbrance may be different from the Index on the encumbrance as long as both indexes look up the same appropriation.

Encumbrance transactions are controlled in R★STARS against appropriations, agency budgets, cash balances, grant expendable budgets and project expendable budgets. This control ensures that total encumbrances and expenditures do not cause budgetary balances to be exceeded. This control may be set to fatal, warning, or ignore independently on each of the above budgetary control areas.

The pre-encumbrance indicator and encumbrance indicator in the 25 Agency Control Profile determine whether the agency budget authority is reduced or is not affected by such transactions. The R★STARS Data Entry Guide chapters on Budgeting, Project Accounting and Grant Accounting describe establishing budgetary control in more detail.

Erroneously Liquidated Old Year Encumbrances

If you have unintentionally liquidated a valid old fiscal year encumbrance (originally established in ADPICS and correctly "rolled" to the new fiscal year) by erroneously liquidating the entire encumbrance amount when making a partial payment against the encumbrance, the result will be an understatement of the old fiscal year encumbrance balance for financial reporting purposes, as well as an understatement of the new fiscal year encumbrance balance.

To correct the understatement of the old fiscal year encumbrance balance, enter the following entries (it is important that both of these entries are recorded prior to the closing of Document Type NR) in R★STARS:

1) Record a TC 884, Establish Encumbrance Not in R★STARS - Year-End

Effective Date:	9/31/XX (old fiscal year)
Document Type:	NR
Batch Type:	4

2) Record a TC 887, Encumbrance Liquidation Not in R★STARS - Year-End

Effective Date:	Current date (new fiscal year)
Document Type:	NR
Batch Type:	4
Reference Document:	Use the current document number from the TC884

Recording the Accounting Impact

Pre-encumbrances and encumbrances are recorded in the General Ledger, Appropriation, Agency Budget, Grant, Project and Document Financial tables. The impact in each of these tables is described below. Recording pre-encumbrance and encumbrance transactions have the following impact in the General Ledger Financial table:

Record pre-encumbrance:

DR — Pre-Encumbrance Control
  CR — Fund Balance Reserve for Pre-Encumbrance

Record encumbrance previously pre-encumbered:

DR — Encumbrance Control
CR — Encumbrance Offset

DR — Fund Balance Reserved for Pre-Encumbrance
CR — Pre-Encumbrance Control

Record encumbrance not previously pre-encumbered:

DR — Encumbrance Control
CR — Encumbrance Offset

Decreases in the original document amounts have the reverse impact in the General Ledger Financial table.

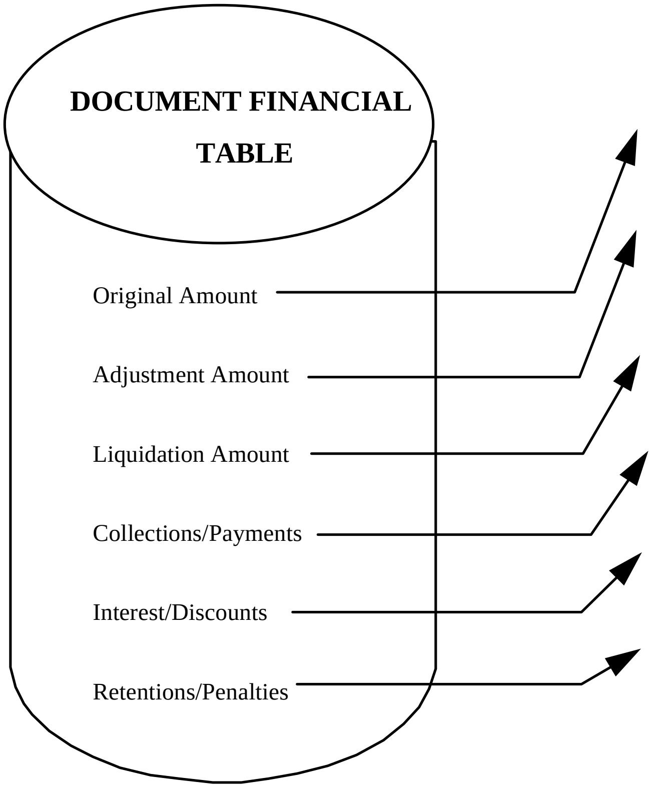
Pre-encumbrances and encumbrances are also recorded against the related appropriation and agency budget in the Appropriation and Agency Budget Financial tables. These tables enable the tracking of requisitions and purchase orders against available spending authority.

The grant and project tables are also posted when pre-encumbrance and encumbrance transactions contain a grant number/phase and/or project number/phase. This provides the ability to track outstanding requisitions and purchase orders against grants/phases and projects/phases.

These transactions are also recorded in the Accounting Event table to provide on-line inquiry and reporting capabilities of all detailed transactions in R★STARS.

In R★STARS, the Document Financial table is the primary tracking and control table for pre-encumbrances and encumbrances. In this table, a record is established for each document number entered for these types of transactions. The exhibit below shows the balance types maintained in this table. The original amount, adjustments, liquidations and payments are maintained separately.

DOCUMENT FINANCIAL TABLE BALANCE TYPES


DOCUMENT FINANCIAL TABLE
Original Amount
Adjustment Amount
Liquidation Amount
Collections/Payments
Interest/Discounts
Retentions/Penalties

- Original document amount (01)
- Total Adjustments to original document amount (02)
- Total amount of liquidation (03)
- Total amount of payments (04)
- Total amount of interest or discounts (05)
- Total amount of retentions/penalities (06)

8.3 ACCOUNTS PAYABLE

Recording accounts payable in an accounting system serves two purposes: To recognize the expenditure and to record the related liability. This step in the expenditure cycle is required for accurate financial reporting. This section discusses the recording and tracking of accounts payable in R★STARS. The next section describes more specifically the expenditure-related area.

Entering Accounts Payable

Accounts payable transactions are normally entered in conjunction with expenditures when there is a commitment to pay, rather than purchase, for goods or services received. These liabilities have not been vouchered and accounts payable transactions do not produce payments in the payment processing subsystem of R★STARS. Accounts payable may or may not be identified to a specific vendor depending upon the requirement of the transaction code being used.

A document number is required to uniquely identify the accounts payable transaction.

Recording the Accounting Impact

Accounts payable transactions are recorded in the General Ledger table and the Accounting Event table. Other tables are also posted when expenditures are involved, as described in Section 8-4.

Recording accounts payable transactions typically have the following impact in the General Ledger table:

DR — Expenditure Control — Accrued
CR — Vouchers Payable — Current

8.4 EXPENDITURES AND PAYMENT PROCESSING

Recording vouchers payable and disbursement transactions is the most frequent activity in any organization. The proper classification of expenditures is critical to meet the needs of both internal and external reporting requirements. Generating payments and recording other disbursement activity is also important to any accounting system. This section describes the following:

- **Classifying Expenditures** — using the R★STARS classification structure to identify the purpose and type of expenditures.
- **Entering Vouchers Payable and Disbursements** — recognizing expenditures, generating warrants and/or direct deposits and recording manual warrant activity.
- **Recording the Accounting Impact** — recording voucher payable and disbursement transactions in the R★STARS tables.

Classifying Expenditures

Expenditure transactions may be classified in many ways. Typically, four classification elements must be recorded on expenditure transactions to meet budgetary and GAAP requirements. There classification elements are:

- **Fund** — to identify the fiscal accounting entity.
- **Organization** — to identify the cost gathering within an agency (looked up by Index).
- **Program** — to identify the purpose of the expenditure (looked up by PCA).
- **Comptroller Object** — to identify the type of expenditure.

In addition to these basic requirements, the following elements may be used to further classify expenditures:

- Function
- Agency Object
- Agency Code 1
- Agency Code 2
- Agency Code 3
- Grant Number and Phase

- Project Number and Phase
- Multi-purpose Code

Each agency must determine its unique needs in classifying expenditures. Various combinations of these elements may be required. For example, an agency responsible for accounting for various projects would enter a project number, phase and agency code 2 on each expenditure transaction related to the project to enable accumulation in the system of the project's expenditures. Another agency may require the tracking of expenditures by grant number, phase and agency code 1.

Entering Vouchers Payable and Disbursements

When using MAIN FACS (R★STARS and ADPICS), vouchers payable are generated primarily from ADPICS. In a limited number of cases, it may be necessary to initiate payment transactions in R★STARS. There are four categories of vouchers payable that can be made in R★STARS, including: Refund of Revenues (TC 220), Refund of Deposits (TC 227), Refunds or Payments of Funds Held In Custody for Others (TC 229), and Vouchers Payable Supplemental/Replacement Payroll (TC 231). For further details regarding transaction codes, see Appendix B of this manual. For specific transaction questions, contact your DMB, Office of Financial Management (OFM) liaison.

Vouchers payable and disbursement transactions fall into several categories:

- System Generated
- Automated Warrants
- Manual Warrants
- Petty Cash
- Wire Transfers
- Payments From Other Systems (PFOS)
- Canceling Direct Vouchers

Each area is discussed below.

Recording Vouchers Payable

Expenditure transactions may be recorded against any combination of the elements listed above.

A document number and suffix, together with a vendor number and mail code uniquely identify vouchers payable in R★STARS. Most vendor information necessary for processing expenditures and generating a payment is established and maintained in the Contract and Payment Express Web site.

The first digit of the vendor number identifies the type of vendor. Vendor numbers beginning with a “2”, “3”, “4”, or “5” are systemwide and can be viewed by inquiring on the 52 Systemwide Vendor Inquiry and 51 Systemwide Vendor Mail Code Inquiry screens. Vendor numbers beginning with a “0” (zero) are agency defined in the 34 Agency Vendor Profile **(not used in Michigan)**. Payments against local funds, funds that are not tracked at the State Treasury, are allowed to use agency defined vendors only. The Payment Processing Subsystem generates payment transactions.

Previously encumbered expenditures are entered with a reference document number which references the purchase order or contract. This facilitates the automatic liquidation of the encumbrances. The liquidation may be partial or final, as indicated by the modifier code. This code may be entered on the transaction or left blank. If left blank, the system will process the transaction as a partial liquidation.

Liquidation amounts may be different from the resulting payment amount. For example, if a purchase order is entered for $1000 and the invoice is $950, the encumbrance may be fully liquidated for $1000 by setting the modifier code to “F” (full), even though the payment amount is $950. R★STARS will record the actual payment amount in the appropriate balance type in the Document Financial table as well as recording the liquidation for the full amount. This is also true when the final payment is higher than the liquidation. The liquidation amount will not exceed the sum of the beginning balance plus adjustments.

Two elements exist in the 33 Document Control Profile to ensure that the amount by which the expenditure differs from the encumbrance falls within a tolerable range **(the tolerance fields are not being used in Michigan at this time)**:

- **Tolerance Amount ($)** — ensures that for each expenditure transaction which was previously encumbered at the document level, that the expenditure must fall within a specific dollar amount of the encumbrance to be allowed to process in R★STARS.

- **Tolerance Percentage (%)** — ensures that for each expenditure transaction which was previously encumbered at the document level, that the expenditure must fall within a specific percentage of the encumbrance to be allowed to process in R★STARS.

When expenditures were previously encumbered, the elements entered on the expenditure may be different from those entered on the encumbrance as defined in the 25 Agency Control Profile encumbrance/pre-encumbrance document match level indicators. The elements on the expenditure transaction may vary as follows:

- **0** — no match of expenditure input coding elements to elements on encumbrance/pre-encumbrance required.
- **1** — expenditure must be matched to original appropriation only.
- **2** — all expenditure input coding elements must match all the elements on the original encumbrance/pre-encumbrance transaction.

Expenditure transactions are also controlled against available budgetary balances. These budgetary balances include appropriations, agency budgets, grant expendable budgets if a grant code is entered and project expendable budgets if a project code is entered. The severity of control may be set to fatal, warning, or ignore using the control type indicator for appropriations, agency budgets, grants and projects. The R★STARS Data Entry Guide chapters on Budgeting, Project Accounting and Grant Accounting describe establishing budgetary control.

System Generated Payments

R★STARS automatically generates warrants or direct deposits (EFTs) for vouchers payable which are approved and released to Payment Processing. When warrants or direct deposits are written, the system generates transactions which are recorded in the R★STARS financial tables to reflect the disbursement. A document number, fund (identifying the fund for which the liability was recorded), agency and vendor number/mail code are included on these transactions.

The payment is processed according to the due date, which is entered on the expenditure transaction entry screen. If a due date is not entered, the payment is processed when the transaction is posted and approved. In R★STARS, the posting of a transaction is controlled by the effective date on the transaction. To illustrate the use of the due date, examples of posting vendor invoices paid through a direct deposit and a warrant are provided. Assume that the payment is due to the vendor by 10/26/01, so the system will select this payment when the due date equals the 97 System Management Effective Date plus the Number of Advance Payment days for Direct Deposits. (Warrants will be selected when their due date equals SM Effective Date plus Advance Payment days for warrant/check). Examples for a warrant's and a direct deposit's selection date follows:

Warrant
Due date of 10/**26**/01 = System Management Effective Date (X) + 02
26 = X + 02
X = 24

EFT
Due date of 10/**26**/01 = System Management Effective Date (X) + 03
26 = X + 03
X = 23

For this illustration assume the Advance Payment Days field is “2.”

Date		**Description**
EFT	**Warrant**	
10/19/01	10/19/01	Expenditure transaction is entered with a due date of 10/26
10/23/01	10/24/01	During the Batch IEU cycle, the payment process is executed
10/24/01	N/A	Transmittal tape is available to present to the bank
		The check is mailed to the vendor (assuming one day delivery)

It should be noted that most vendor payments can be offset or subject to backup withholding. Vendor payments can also be placed on hold with a Disbursement Method Indicator (DMI) set to “H.” For additional information regarding vendor payments put on hold, see R★STARS Data Entry Guide Chapter 9, Section 3 and Chapter 12, Section 1.

For vendor payments subject to accounts receivable offset, an offset program will run before the assignment of warrant numbers. This program will determine if the vendor is subject to offset and if so reduce the payment amount. Payments to vendors can also be offset by the Treasury’s State Treasurer Accounts Receivable System (STAR) and/or by the Garnishment and Levy System (GAL).

For vendor payments subject to backup withholding, a backup withholding program will run before the assignment of warrant numbers. This program will determine if the vendor is subject to backup withholding and if so reduce the payment amount by the backup withholding percentage.

Transactions can be combined for warrants or direct deposits across documents, funds, or agencies; thus reducing the number of warrants generated for a single vendor. The use of the Payment Distribution Type (PDT) determines the extent of the combining process for documents, funds and agencies. It also determines the type of distribution (e.g., regular payment warrant, direct deposit, wire transfer). A two-character PDT value can be defined to combine transactions according to agency needs.

The D55 Payment Processing Control Profile contains one record with systemwide parameters for payment processing. The D55 identifies on a systemwide basis how the system will sort payments and how payments will be routed for distribution. There are 20 valid values available for payment sorting and routing.

The system also generates a remittance advice to support each payment. This advice contains a field for each Remit Sort key defined in D55. There are 10 valid values available for the system administrator to define the information contained in each line, and the sequence of those values.

The D58 EFT Processing Control Profile profile contains one record with systemwide parameters for payment processing. The D58 identifies on a systemwide basis the sorting of EFT payments which have successfully processed. Payment numbers for EFTs are assigned according to the D72 Bank Account Profile. EFT payments are combined based on the payment sort keys identified in this profile. The system administrator is allowed to determine, with up to 20 payment sort key elements, how individual vouchers payable transactions will be sorted for EFT payments.

The systemwide parameters include ODFI (Originating Depository Financial Institution) bank Ids for vendor/payee prenotes and PFOS systems (IIT – Income Tax, Payroll – HRMN/DCDS, and Retirement), PDTs (payment distribution types) to be used for converting an EFT to a warrant, an EFT combine indicator, and the retention period for payment and remittance information.

The R★STARS payment processing component runs each night and processes all transactions that are ready for payment. An R★STARS update cycle also occurs during the work day and processes transactions where the disbursement method indicator (DMI) has been coded or changed to “E” (expedite).

Only authorized users can change the DMI on payment transactions to an “E” (expedite) to generate emergency warrants. A DMI of “E” cannot be used on direct deposit transactions. This change can only be made for a document or a single vendor within a given document. Transactions entered in edit mode “2” must pass on-line edits. The transactions are ready to expedite (if error free) immediately. Only payment transactions with a DMI of “E” can be expedited.

Authorized users can also cancel payments which have been issued through the payment processing cycle. See the R★STARS Data Entry Guide, Chapter 18, Section 6 for specific instructions regarding payment cancellation. Direct deposit payments cannot be canceled; either a reversal or reclamation request can be issued (within certain time constraints). See the R★STARS Data Entry Guide, Chapter 18, Section 7 for specific instructions regarding EFT reversal or reclamation requests.

There are five ways to cancel previously issued payments:

1. Single Payment Cancellation — payments are canceled by payment number.
2. Cancellation by range of payment numbers.
3. Cancellation by Document ID (agency, document number and fiscal year). This applies only to documents that generate payments.

4. Stop Payment — payments are stopped by warrant.
5. Cancellation by range of appropriation numbers.

Automated Warrants

These are warrants normally generated through R★STARS and the payment processing subsystem. Transactions are recorded to recognize the expenditure and cash disbursement when users want to create automated warrants. The payment number is recorded on each transaction by the system and the DMI is set to "R," "E," or "L."

Recording the Accounting Impact

Expenditure and disbursement transactions are recorded in nearly all of the R★STARS tables. The General Ledger table is impacted differently depending upon the type of transaction being entered. One of the most common transactions is an Expenditure Previously Encumbered.

Entered transaction:

DR — Expenditure Control — Accrued
CR — Vouchers Payable — Current

DR — Encumbrance Offset
CR — Encumbrance Control

System-generated liquidation transaction:

DR — Vouchers Payable — Current
CR — Payments Outstanding

DR — Expenditure Control — Cash
CR — Expenditure Control — Accrued

System-generated redemption transaction:

DR — Payments Outstanding
CR — Equity in Common Cash

Other vouchers payable transactions charge general ledger accounts such as Revenue Control - Accrued, Prepaid Items and Merchandise Inventories.

If the vouchers payable transaction is a direct deposit, i.e., EFT, a system generated transaction moves the funds into the EFT Clearing Fund. Then on the settlement date, another system generated transaction occurs to move the funds to the payee's bank (RDFI - Receiving Depository Financial Institution) and to clear out the payment amount from the EFT Clearing Fund.

System-generated Clearing Fund Transfer In:

DR — Equity in Common Cash
CR — Amounts Held in Custody for Others

DR — GAAP Revenue Offset
CR — Revenue Control — Cash

System-generated Clearing Fund Settlement:

DR — Amounts Held in Custody for Others
CR — Equity in Common Cash

DR — Revenue Control — Cash
CR — GAAP Revenue Offset

For additional information regarding EFT Generation and the EFT Clearing Fund, see the R★STARS Data Entry Guide, Chapter 18, Section 10.

The Accounting Event table is the primary source for responding to inquiries from vendors regarding their outstanding bills with the user. In the table, vouchers payable transactions are recorded at the transaction level. That is, each transaction affecting a vendor is separately recorded. Encumbrance and disbursement transactions are also recorded in this table.

Manual Warrants

Emergencies may occur which require an agency to generate a manual warrant. These warrants cannot wait until transactions are entered into R★STARS and the Payment Processing Subsystem is run. After the users prepare warrants manually, transactions are recorded to recognize the expenditure and cash disbursement. The payment number is recorded on each transaction and the DMI is set to "M" for manual.

Recording the Accounting Impact

Transaction entered for an expenditure not previously encumbered:

DR — Expenditure Control — Accrued
CR — Vouchers Payable — Current

System-generated liquidation transaction:

DR — Vouchers Payable — Current
CR — Payments Outstanding

DR — Expenditure Control — Cash
CR — Expenditure Control — Accrued

System-generated redemption transaction:

DR — Payments Outstanding
CR — Equity in Common Cash

Year-End Cutoff of Manual Warrants for W-2 and 1099 Reportable Payments

To be reflected in the old calendar year W-2 or 1099 statements, manual warrants must be recorded in R★STARS (including ADPICS initiated transactions) by the dates specified by DMB Office of Financial Management (OFM). Manual warrants recorded after the date established by OFM will be treated as new year payments for W-2 and 1099 reporting purposes.

Manual warrants should not be issued on days that normally are not work days (Monday-Friday non-holidays) during calendar year-end.

If you must issue a W-2 or 1099 reportable manual warrant on a holiday or weekend day at calendar year-end, you must request a corrected old calendar year W-2 or 1099 statement and process a new calendar year correction to reverse the payment.

If you have questions regarding corrections to W-2 reportable payments contact OFM at (517) 373-7581. If you have questions regarding corrections to 1099 reportable payments contact OFM at (517) 335-7269.

Petty Cash Account

Circumstances may occur which require an agency to establish a petty cash account. If you need to establish a petty cash account, send a request to the OFM Director, stating the petty cash amount needed for change funds, custodian name, and location of petty cash funds to be maintained.

Wire Transfers

Infrequent occasions may arise that require payment by wire transfer. The payment would be generated by the Central Control Agency, and input to R★STARS through normal transaction entry. **The Department of Treasury will perform this function.** Wire transfers require a PDT with a Payment Method Code of "X." (Wire transfers are assigned system generated payment numbers that begin with "X" and are followed by the system management current effective date and a sequence number from the current document number increment table (D59). The DMI must be "M" (manual).

Recording the Accounting Impact

Transaction entered for an expenditure not previously encumbered:

DR — Expenditure Control — Accrued
CR — Vouchers Payable — Current

System-generated liquidation transaction:

DR — Vouchers Payable — Current
CR — Equity in Common Cash

DR — Expenditure Control — Cash
CR — Expenditure Control — Accrued

Payments From Other Systems (PFOS)

MAIN FACS accommodates payments or warrants generated by other systems (non-R★STARS warrants) via an interface. Examples include: payroll warrants generated by the Human Resource Management Network (HRMN) and Family Independence Agency Client payrolls (CIS). The document agency, document number, bank ID, and document amount in PFOS interface transactions are edited against the document agency, document number, bank ID and document amount in PFOS Journal Voucher (JV) transaction (document numbers begin with the character 'U'). These edits validate PFOS interface transactions. The bank ID, document number, and document amount on the 44 Single Payment Inquiry screen should match these same fields on the 84 Accounting Event screen. The document number and document amount on the 44 Single Payment Inquiry screen should match these same fields on the 37 Document Tracking Inquiry screen.

When the Bank ID in the PFOS records doesn't match the Bank ID in the JV transactions or there are other errors, the DAFR3821 Out-of-System Payment Validation and Reconciliation and DAFR3822 Out-of-System Payment Accounting Distribution reports will indicate there is an error between the Input Transaction Amount and the A/E (Accounting Event) Amount. The DAFR3831 Out-of-System Payment Errors report will display the specific error. Both the DAFR3821 and DAFR3822 reports include Bank ID.

Payment Inquiry

To view information on warrants, wires, and EFTs, you can look up the warrant number by inquiring on the 84 Accounting Event Record Inquiry, 85 Vendor Transaction Inquiry, or 86 Document Transaction Inquiry screens. To do this, you must know either the document number or the vendor number.

To obtain a copy of the purged paid warrant, you must complete a form M1005 State of Michigan, Department of Treasury "Request for Copy or Original Warrant." Forms are available by faxed request to Financial Operations, (517) 241-0443. Please specify the quantity of forms you desire and your mailing address.

Purged warrants are on microfiche. Treasury will process requests (M1005) and return the form and a copy of the warrant to you.

Reissuing Canceled Warrants From Previous Fiscal Year

It is important to designate the appropriate appropriation year when reissuing warrants that have been canceled. Special attention to this distinction is most important around Year-End Close. For example, if a warrant issued with Appropriation Year and Fiscal Year 1995 R★STARS coding block is canceled in Fiscal Year 1996, when the warrant is reissued in 1996, you must be sure to charge the same Appropriation Year 1995 R★STARS coding block as charged on the original warrant. Generally, the only difference between the original voucher payable and the reissuance will be the effective date.

Canceling Posted Direct Vouchers and Associated Warrants

Direct Vouchers are processed and posted in ADPICS, and once the transaction is completed, a warrant will be issued by R★STARS. If a need arises to cancel a Direct Voucher already posted in ADPICS, the appropriate method to correct the Direct Voucher and/or retrieve the warrant is to request cancellation of the warrant using the R★STARS 47A Warrant Status Maintenance screen.

Checks Returned for Non-Sufficient Funds (NSF)

MAIN FACS includes an NSF Checks Receivable General Ledger to record amounts due to the State for warrants/checks that were returned from the banking system not paid because of insufficient funds in the bank account. Recording these transactions requires the agency to record several entries because when the checks are initially returned, the Department of Treasury does not have detailed knowledge of the agency's accounting distribution associated with the original deposit. Refer to R★STARS Reference Manual, Appendix B, Chapter 3, for further information. Some examples of Transfer Document Types are listed below.

Transfer Type Documents

DC	Payroll Refund Adjustment Voucher
DE	FICA On Long Term Disability (LTD)
DF	National Guard Payroll
GA	Deposit Clearing Fund Reclass
GB	Cash Transfers - No DMB Approval
GD	Cash Transfers - Expenditure Credit
GE	Expenditure Transfer - No DMB Approval
GG	Due To/Due From Establishments - No DMB Approval
GI	Inventory Usage/Relief
GN	YE Interagency Billings - NNIAW Replacement
GQ	Interagency Voucher R★STARS - No ADPICS PO
GR	Revenue Transfers - No DMB Approval
GS	Non-Deposit Clearing Fund Reclass
GT	Operating Transfer - Other Agency Approval
GV	Other Adjustments - Agency
GW	Payroll Expenditure Transfer - No DMB Approval
GZ	Due To/Due From Adjustment
JE	Cash Expenditure Transfer - DMB Approval
JG	Due To/Due From - DMB Approval
JQ	Residual Equity Transfers - DMB Approval
JR	Cash Revenue Transfer - DMB Approval

JW	Payroll Expenditure Transfer - DMB Approval
MA	Deposit Clearing - Agency
MD	Deposit Adjustment Decrease - Treasury
MI	Deposit Adjustment Increase - Treasury

Tables Related to Expenditures

The following tables are related to expenditures:

- Appropriation and Agency Budget Tables
- Accounting Event Table
- Grant and Project Tables

Each table is discussed below.

Appropriation and Agency Budget Tables

Expenditures are recorded in the appropriation and agency budget tables for budgetary control and reporting. The Appropriation table is used to control, monitor and report expenditures against available appropriation balances.

The Agency Budget table is used in a similar manner; expenditures are summarized at the level of agency budget control. The control levels for both appropriations and agency budgets may vary for each object, organization, program and fund. Additionally, agency budgets may be established at an even lower level of detail by including function, grant and project. Therefore, expenditures may be tracked at one level for appropriations and another level for agency budgets.

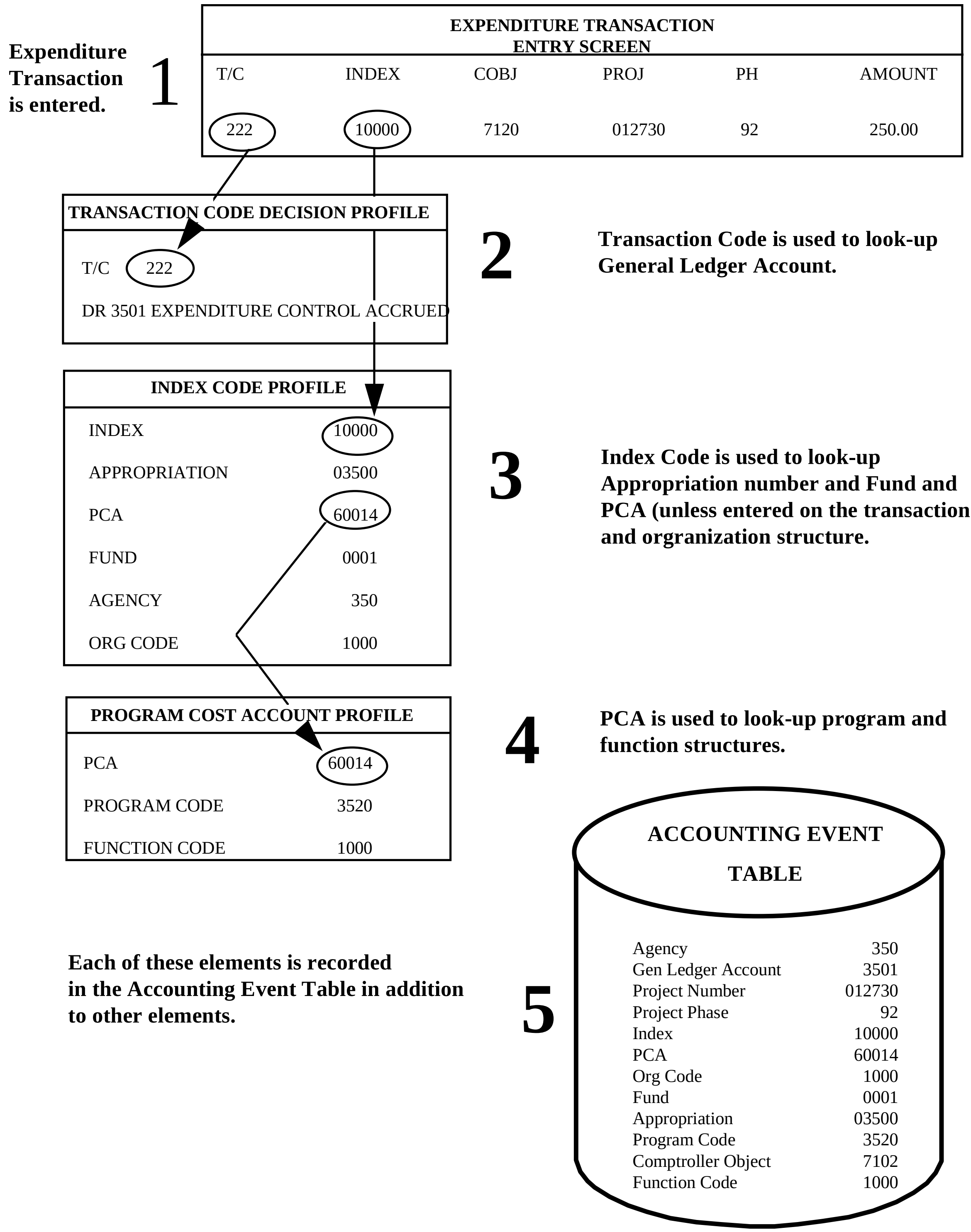
Accounting Event Table

The Accounting Event table maintains all data at the transaction level. Each transaction creates a separate record in the Accounting Event table. The Accounting Event table is actually a general ledger by transaction level file. The exhibit on page 8.4-14 illustrates this table.

Grant and Project Tables

Expenditure transactions containing grant numbers/phases and project numbers/phases are posted to the Grant and Project tables. In these tables, expenditures are summarized at the level defined by the expenditure posting level indicators in the Grant Control and Project Control profiles.

TRACING EXPENDITURE TRANSACTIONS



Expenditure Transaction is entered. 1

EXPENDITURE TRANSACTION ENTRY SCREEN

T/C	INDEX	COBJ	PROJ	PH	AMOUNT
222	10000	7120	012730	92	250.00

TRANSACTION CODE DECISION PROFILE

T/C 222

DR 3501 EXPENDITURE CONTROL ACCRUED

2 **Transaction Code is used to look-up General Ledger Account.**

INDEX CODE PROFILE

INDEX	10000
APPROPRIATION	03500
PCA	60014
FUND	0001
AGENCY	350
ORG CODE	1000

3 **Index Code is used to look-up Appropriation number and Fund and PCA (unless entered on the transaction), and orgranization structure.**

PROGRAM COST ACCOUNT PROFILE

PCA	60014
PROGRAM CODE	3520
FUNCTION CODE	1000

4 **PCA is used to look-up program and function structures.**

Each of these elements is recorded in the Accounting Event Table in addition to other elements.

5 **ACCOUNTING EVENT TABLE**

Agency	350
Gen Ledger Account	3501
Project Number	012730
Project Phase	92
Index	10000
PCA	60014
Org Code	1000
Fund	0001
Appropriation	03500
Program Code	3520
Comptroller Object	7102
Function Code	1000